

AR11

Tom Reid



1974
Annual Report



Rockwell
International
of Canada Ltd

Directors

Stephen J. Tompkins
President
Rockwell International of Canada Ltd
and
President
Automotive Operations
Rockwell International Corporation
Troy, Michigan
U.S.A.

Harold M. Griffith
Chairman of the Board
The Steel Company of Canada, Limited
Toronto, Ontario
Canada

Alonzo B. Kight
Vice President, International
Rockwell International Corporation
Pittsburgh, Pennsylvania
U.S.A.

Robert A. Kingston, Q.C.
Partner
Blake, Cassels & Graydon
Toronto, Ontario
Canada

Donald B. McCaskill
President
Connlab Holdings Limited
Toronto, Ontario
Canada

Robert F. Stewart
President
Consumer Operations
Rockwell International Corporation
Pittsburgh, Pennsylvania
U.S.A.

Principal Officers

Stephen J. Tompkins
President

Jacques Beauchamp
Vice President

James P. Ryan
Vice President

John A. Timmins
Vice President

A. James Harkness
Secretary & Controller

Robert A. DePalma
Treasurer



Rockwell
International
of Canada Ltd

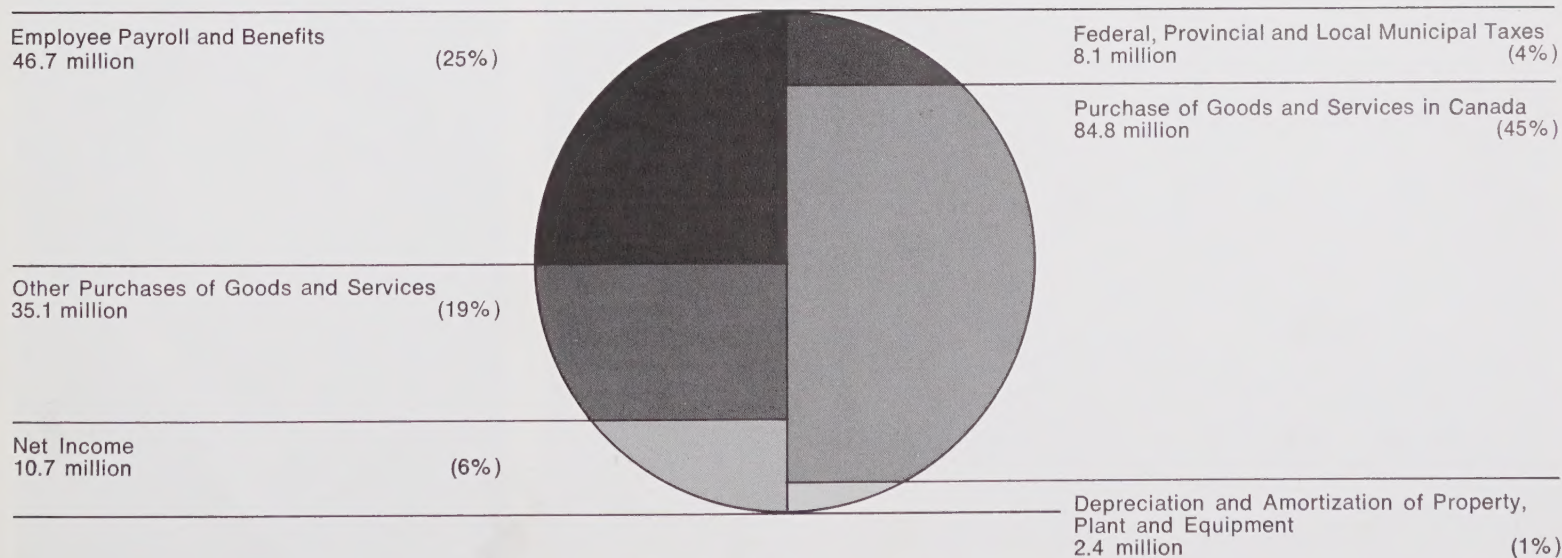
Fiscal 1974 Highlights

*(In millions of
dollars except
as noted)*

Sales	\$187.8
Net Income	10.7
Total Assets	108.5
Shareowners' Equity	74.7
Number of Employees	3,450

1974 Annual Report

Distribution of 1974 Revenue



The President's Report

Fiscal 1974 was an excellent year for Rockwell International of Canada Ltd, and the gains posted in both sales and profits enabled the company to increase its substantial contribution to the economy.

Sales increased 22 per cent from \$154,548,627 in fiscal 1973 to \$187,847,353 in fiscal 1974. Net income of \$10,682,996 was 34 per cent higher than the previous year's \$7,978,428.

The improved sales and profits were achieved despite substantially rising material costs growing out of the country's 12 per cent inflation rate and despite severe labour shortages in several areas. The performance gains resulted from good demand for many of Rockwell's products and systems, notably several for the automotive market; water and gas meters; flow control equipment and valves; industrial gears and speed reducers; plumbing fixture fittings; power tools, and business aircraft. Increased sales and earnings also reflect acquisitions made during the year.

Expansion and Modernization

To meet continued demand for certain passenger-car components and to satisfy the record level needs for components for heavy-duty vehicle manufacturers, the company completed major additions to facilities which manufacture brakes, thermoplastic components and suspension systems. These expansions, which cost more than \$5 million, added a total of 159,000 square feet of office and manufacturing space as well as new machinery and equipment.

At the same time, the Chatham, Ontario bumper plant was mothballed because the depressed passenger-car business in the United States reduced demand for bumpers, for larger cars, which had been produced at Chatham. The company plans

in 1975 to transfer the Oshawa, Ontario, Suspension Systems Division activities to a larger, more modern facility in Milton, Ontario. The Oshawa plant was built in 1919.

At the end of fiscal 1974, the company had approximately 1,800,000 square feet under roof in 18 plants throughout Ontario and Quebec. Additionally, the company has 20 facilities for sales, administration and warehousing in five provinces: British Columbia, Alberta, Manitoba, Ontario and Quebec.

One of the company's major capital expenditures in the last year was for a new government-approved stack scrubber system at the Guelph, Ontario foundry. The new scrubber is part of Rockwell's continuing effort to achieve cleaner air emissions.

Contribution to the Economy

Through its various activities Rockwell was able to make a favorable impact on the country's well-being through employment, taxes paid, export trade and co-operation with a government effort to develop access to natural gas in the Province of Alberta.

The total number of men and women employed by the company increased to more than 3,450 and the total payroll expenditure climbed to more than \$46 million.

Taxes incurred by Rockwell International of Canada Ltd, including local, provincial and federal, amounted to \$8.1 million in 1974. Total purchases in Canada from more than 5,000 suppliers exceeded \$84 million. The company contributed to the country's foreign trade by exporting more than \$100 million worth of materials last year. The large majority of these exported products were automotive; however, Collins Radio Company of Canada, Ltd., which did not become a part of Rockwell International of Canada Ltd until fiscal year end, had significant exports of communications systems which accounted for about \$13 million of additional exports.

The company's parent organization has another major activity in the country—Canadian Admiral Corporation, Ltd., which manufactures and sells home entertainment equipment and components and household appliances. Canadian Admiral Corporation operates manufacturing facilities at Ottawa and Mississauga and maintains sales offices, warehouses and parts depots in 17 other cities.

On behalf of the Board of Directors, I wish to thank all of the company's customers and suppliers for their continued confidence and support. They and our employees have contributed greatly to our 1974 results.



Stephen J. Tompkins, *President*



Automotive Market

Automotive activities, which produced record sales, supply both the passenger-car and the heavy-duty vehicle markets of Canada and the United States with brakes, bumpers, suspension systems, plastic parts and other miscellaneous components.

Rockwell entered the Canadian automotive market in 1947 when The Timken-Detroit Axle Company of Canada, Ltd., a predecessor company, was incorporated. In 1959 the name was changed to Rockwell-Standard Corporation of Canada, Ltd., and the firm opened its first manufacturing facility, an axle plant, in Ontario. Today, as a result of subsequent amalgamations and expansions, automotive products and systems are manufactured at 11 plants throughout Ontario and Quebec. These plants employ more than 2,600.

Brake Division—Sales of heavy-duty brakes, which are manufactured at the

Tilbury, Ontario plant, were higher than the previous year, the result of a heavy demand for commercial vehicles in both Canada and the United States. The strong sales were due to an expansion of the Canadian trucking industry's fleet in the 26,000-pounds-gross-vehicle-weight class and above. A record U. S. demand can be attributed in part to vehicle owners' desire to avoid added costs which will result from new safety equipment required by a national highway safety standard scheduled to take effect there early in 1975.

To meet these needs and to prepare for continued growth the Tilbury manufacturing plant completed a \$1.3 million expansion that included new production machinery and equipment and added 42,000 square feet of space for a total of 167,000 square feet.

The company is the principal supplier of brakes to Canada's growing motor coach industry and has a major share of the country's off-highway vehicle brake business.

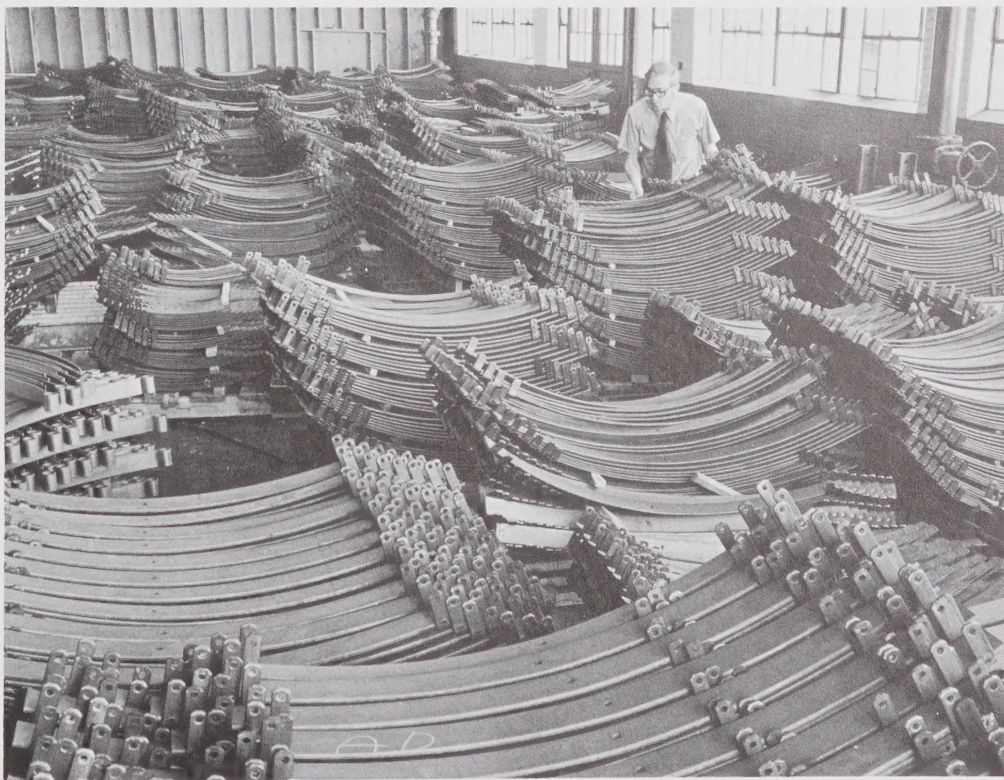
Plastics Division—This division also recorded higher sales. It supplies thermoplastic components to the major automobile manufacturers; plastic parts to the appliance, telephone, lighting and furniture industries and tools and dies to the automotive industry.

Although sales of passenger cars declined in fiscal 1974, the division achieved sales gains in the automobile market through increased penetration in soft plastic automotive grilles.

During the year the division's modern injection moulding facility at Gananoque, Ontario completed a \$1 million plant addition, the third expansion since the plant was built in 1964. The 40,000 square feet increased total floor space to 197,000 square feet.

The division also operates a plant on the northern outskirts of Toronto, Ontario

The Chatham plant uses more than 55,000 tons of steel annually to produce some one million leaf springs for trucks.



where it manufactures injection moulds, specialized machinery and dies. This plant sells tools, dies and moulds for such items as automotive crash pad retainers, wheel covers, signal lamps, glove boxes and cowl panels to the automotive industry. It also manufactures tooling for products such as TV cabinets, other appliance parts and sundry domestic items.

Suspension Systems Division—This division, the company's largest, had an excellent year. Sales of leaf and coil suspension springs, stabilizer bars and miscellaneous stampings, assemblies and cold form products were all higher.

This division operates plants in Milton, Chatham, Bracebridge and Oshawa, Ontario; and in Montreal and Lacolle, Quebec. The division serves both the passenger-car and heavy-duty vehicle markets in Canada and the United States.

Activities of the old Oshawa plant, built in 1919, will be transferred to the Milton facility in 1975. Oshawa manufactures hot coil suspension springs for the automotive and railway markets. In preparation for that consolidation, the Milton plant completed a \$3 million expansion in 1974, adding 77,000 square feet of floor space. The Milton plant, which was built in 1954, now has 175,000 square feet of manufacturing and office space.

Ornamentation Division—Sales of this division, which supplies bumpers and wheel covers to major automobile manufacturing plants in Canada and the United States, declined, reflecting lower sales of passenger cars in the United States and a switch in customer preference to smaller automobiles.

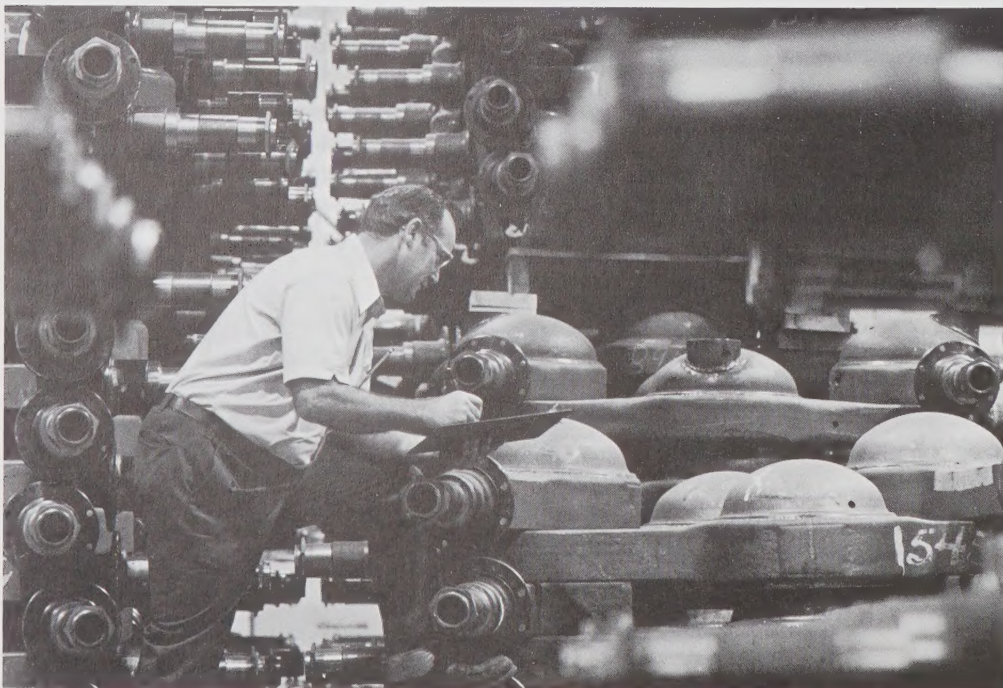
As a result of these market conditions, the division's Chatham, Ontario bumper plant, which manufactured bumpers primarily for larger automobiles, was mothballed in fiscal 1974. The division continues to operate plants in Parry Sound and Windsor, Ontario for the manufacture of wheel covers for passenger cars.

Sales of the five divisions serving the utility and industrial markets were strong in fiscal 1974. These divisions—Municipal & Utility, Flow Control, Boston Gear, Building Components and Graphic Systems—operate three manufacturing plants and a warehouse in Ontario and one plant in Quebec. Including sales and service locations, there are more than 400 employees at these divisions.

Utility Products—Sales, orders and backlog were all higher than the previous year for the utility products manufactured by Municipal & Utility and Flow Control divisions.

The Municipal & Utility Division's gas products (meters and measurement equipment) and Smith-Blair products (clamps and couplings) are manufactured at Guelph, Ontario. Water products (me-

Heavy-duty single front and rear, tandem, trailer and planetary axles are assembled at the Tilbury plant.



Sealed in vacuum chamber, plastic products are "metalized" at Rockwell's Gananoque plant. About 70 per cent of the plastics manufacturing here is for automotive products—from front end grilles to tail lights.



ters and flow control equipment) are manufactured at LaSalle, Quebec.

The government is insuring all Albertans access to natural gas by subsidizing pipeline to most parts of the province, opening up new markets for the company's gas measuring equipment. As the conservation of energy becomes more essential, sales of the division's products should continue to be in demand.

The Flow Control Division received several large orders, including one for the installation of Nordstrom® steel valves on the high-temperature hot water system at

the new international airport which is now under construction north of Montreal.

The shortage of skilled labour needed to meet the demands of increased orders was alleviated during the year. Through co-operation with Canada Manpower Centres, an on-the-job training programme was initiated to train unskilled employees.

Pipeline experts from the People's Republic of China, touring the country at the invitation of the Canadian government, visited the Flow Control Division's LaSalle, Quebec plant. The company expects the visit could pave the way for future export business with China.

Industrial Components—Both the Boston Gear Division, based at Mississauga, Ontario, and the Building Components Division at Oakville, Ontario, had a good year.

Boston Gear, a supplier of speed reducers, gears, fluid power equipment and electric motor drives, markets products primarily through industrial distributors.

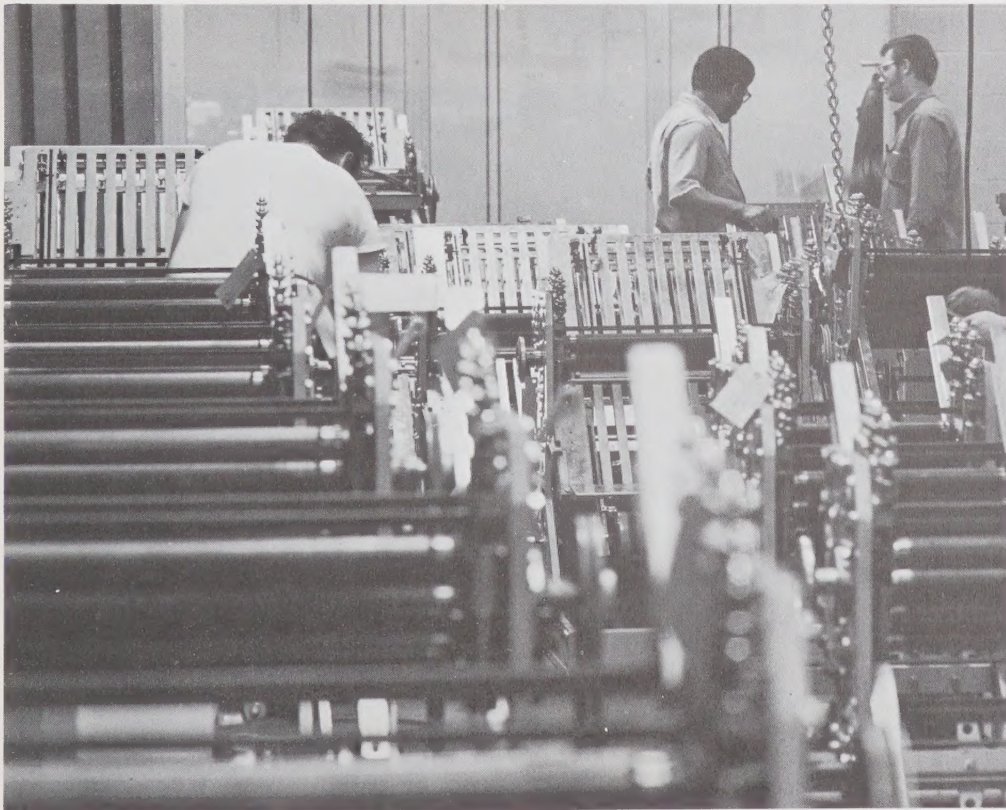
A new facility, occupied in 1973, more than doubled the division's warehouse and service facilities—from 6,400 square feet to 15,000 square feet—and made it possible for Boston Gear to meet the increased demand for its products in fiscal 1974.

The Building Components Division, which manufactures and sells a complete line of plumbing fixture fittings, established its own sales force, decreasing its dependence on manufacturers' representatives.

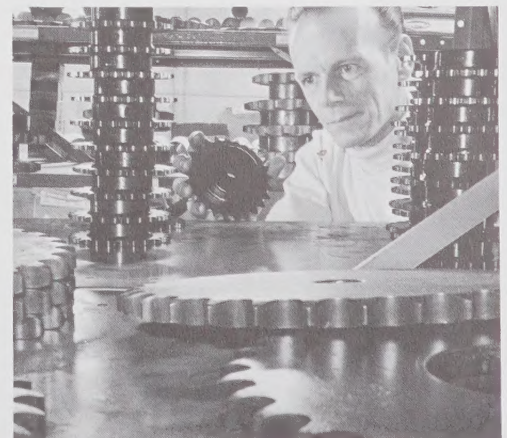
The division plans to close the Oakville facility in early May 1975 and secure production of plumbing products from other suppliers—a move that is more economical than investing funds to upgrade the existing plant.

Graphic Systems Division—Sales of Graphic Systems—which operates sales offices in Don Mills, Ontario; Montreal, Quebec and Vancouver, British Columbia—approximated the 1973 level, reflecting a generally depressed graphic arts industry.

Industrial showpiece in Cambridge, Ontario is this modern Graphic Systems Division plant where machinery for the graphic arts industry is manufactured.



Boston Gear Division products are distributed across the country, from British Columbia to Newfoundland.



Graphic Systems manufactures, sells and services machinery for the newspaper publishing and commercial printing industries in Canada and for export.

Rockwell's Cambridge plant is a modern facility with some 90,000 square feet of manufacturing space. Its products include folders for Goss Community® and Suburban® newspaper presses, paper drills and the Pacemaker III paper cutter.

Fiscal 1974 featured the signing in June of a two-year labour agreement, ending a four-week strike; and important installations of large, sheetfed offset presses equipped with ultraviolet drying and numerous, multicolor medium-size presses. Commercial web presses have been added to the 1975 product line, broadening opportunities for a good sales year.

A strong demand for portable and stationary power tools enabled the Power Tool Division at Guelph, Ontario to register record sales. Despite material and labour shortages, the division increased shipments by initiating a second shift, by improving productivity and by utilizing company-owned foundry facilities. Full utilization of those facilities minimized shortages that would have been encountered had full dependence been on outside suppliers.

The higher sales were due principally to the locally designed and manufactured line of stationary power tools. A new, low-priced band saw, introduced in early 1974, gained immediate acceptance. Moderately priced Flight Leader air tools also contributed to overall sales growth. The division's strong performance, achieved without major capital expansion, can be attributed in part to an experienced workforce which numbers 300.

Because of the growing need for business aircraft in Canada, the General Aviation Division, as part of its plan to increase market share for Rockwell Sabreliner and Commander aircraft, appointed two independent distributors for Rockwell Commander 690A, 685 and Shrike twin engine aircraft. Sabreliner aircraft are sold direct to users by Rockwell sales people.

Commander Aviation Limited now provides sales and support services for the province of Ontario at Toronto; and Innotech Aviation Limited (previously Atlantic Aviation of Canada Limited) provides similar services for the rest of Canada at Montreal, Calgary and Vancouver. The firms were also appointed as Rockwell Sabreliner aircraft service stations at Toronto and Calgary.

This division has sold 14 prop and jet aircraft in the past two years. It will continue to sell the Rockwell Sabreliner business jet aircraft through its own offices and will continue to provide marketing support to its distributors.

Two six-inch Rockwell compound water meters were put to work measuring the water for the concrete used in Toronto's CN Tower, the world's tallest, self-supporting structure.

At a hardware store in Toronto a customer asks questions about a Rockwell-made Beaver® 10-inch band saw, model 28115.



Electronics Market

Among the company's growing electronics activities are portable military communication packsets and maritime communication systems; and the complete line of Rockwell calculators. More than 400 are employed in manufacturing and marketing of electronics products and systems.

Collins Radio Company of Canada, Ltd.

—Effective September 30, 1974 this firm became a wholly owned subsidiary of Rockwell International of Canada Ltd. As a result, sales and income are not included in Rockwell's fiscal 1974 results. The main plant and headquarters of Collins are in Toronto, with sales offices at Ottawa and Vancouver.

Collins produces and sells communication systems to domestic customers, in-

cluding the government, and to international customers. Collins' extensive international business includes the production and sale of microwave equipment to Korea, shipboard communications systems to Peru, UHF packsets to Iran and Switzerland, maritime equipment to France for patrol boats, radio equipment to the Italian Air Force and VHF systems to the Netherlands. Collins also markets products of Rockwell International's Collins Radio Group, based at Dallas, Texas.

Major capabilities of Collins are in the areas of portable military communication packsets and maritime communication systems. In fiscal 1974 extensive progress was achieved in developing new high frequency packsets and maritime systems to complement existing products covering other frequency bands.

Business Equipment Division—Since its establishment just a little more than two years ago, the Business Equipment Division has gained a solid foothold in the Canadian marketplace and has captured a significant share of the calculator market.

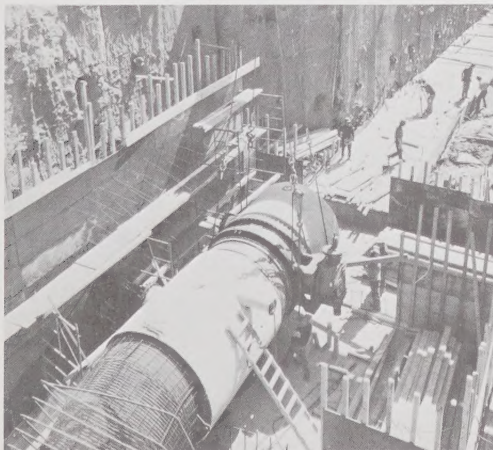
This division markets the complete range of Rockwell calculators, from hand held consumer models to the sophisticated 900 series of programmable desktop models. These products are sold through a network of some 350 consumer products and franchised office equipment dealers.

The division established in Toronto its first direct branch operation. Additional branches planned will be organized and staffed to handle the more sophisticated calculators being introduced.

The Business Equipment Division moved into new facilities in Toronto in February 1974. An expansion completed in the fall enabled the division to consolidate into one facility all administrative offices, dealer sales and service operations, the Toronto branch and warehousing activities.

Collins Radio Company of Canada, Ltd., a subsidiary, manufactures a broad range of communication systems at its Toronto plant for customers here and around the world.

The largest Smith-Blair coupling installed in the country to date is used on this 84-inch water main in downtown Montreal.



Consolidated Balance Sheet

As at September 30, 1974 (with 1973 figures for comparison)

Assets	September 30	
	1974	1973
CURRENT ASSETS:		
Cash and certificates of deposit	\$ 5,021,000	\$ 1,141,136
Due from parent company—non-interest-bearing	5,000,000	—
Accounts and notes receivable (Note 3):		
Trade	34,542,970	25,269,004
Other	1,471,386	719,823
Inventories (Note 4)	33,657,001	25,821,274
Prepaid expenses	1,765,756	1,751,871
Total current assets	81,458,113	54,703,108
PROPERTY, PLANT AND EQUIPMENT—at cost:		
Land	1,201,574	514,452
Improvements to land and leaseholds	1,028,507	242,144
Buildings	14,405,812	10,066,854
Machinery and equipment	41,015,425	30,329,403
Construction in progress	3,727,876	2,549,055
	61,379,194	43,701,908
Less accumulated depreciation and amortization (Note 1)	35,122,425	25,872,697
Net property, plant and equipment	26,256,769	17,829,211
DEFERRED CHARGES AND OTHER ASSETS	828,173	—
TOTAL	\$108,543,055	\$72,532,319
Liabilities and Shareowners' Equity		
CURRENT LIABILITIES:		
Bank indebtedness	\$ 6,639,564	\$ —
Accounts payable	18,237,320	13,989,851
Income taxes	5,855,516	1,119,356
Due to affiliated companies	1,057,751	822,750
Total current liabilities	31,790,151	15,931,957
DEFERRED INCOME TAXES	2,007,923	2,507,923
SHAREOWNERS' EQUITY:		
Capital stock (Note 5):		
Authorized:		
11,000,000 common shares of no par value		
Issued and fully paid:		
959,990 (1973—957,715) common shares	1,680,091	1,575,260
Contributed surplus (Note 2)	9,988,376	123,661
Retained earnings	63,076,514	52,393,518
Total shareowners' equity	74,744,981	54,092,439
Approved by the Board		
Stephen J. Tompkins, <i>Director</i>		
Robert A. Kingston, <i>Director</i>		
TOTAL	\$108,543,055	\$72,532,319

The accompanying notes are an integral part of the financial statements.

Consolidated Statement of Income and Retained Earnings

For the year ended September 30, 1974 (with 1973 figures for comparison)

	Years Ended September 30	
	1974	1973
SALES	\$187,847,353	\$154,548,627
COSTS AND EXPENSES—cost of sales and other operating charges	169,786,357	140,256,536
INCOME BEFORE INCOME TAXES	18,060,996	14,292,091
PROVISION FOR INCOME TAXES	7,378,000	6,313,663
NET INCOME	10,682,996	7,978,428
RETAINED EARNINGS AT BEGINNING OF THE YEAR	52,393,518	44,415,090
RETAINED EARNINGS AT END OF THE YEAR	\$ 63,076,514	\$ 52,393,518

Consolidated Statement of Contributed Surplus

For the year ended September 30, 1974 (with 1973 figures for comparison)

	Years Ended September 30	
	1974	1973
CONTRIBUTED SURPLUS AT BEGINNING OF THE YEAR	\$ 123,661	\$115,508
ADDITIONS ARISING FROM ACQUISITIONS FROM AFFILIATED COMPANIES (Note 2)	9,864,715	8,153
CONTRIBUTED SURPLUS AT END OF THE YEAR	\$9,988,376	\$123,661

The accompanying notes are an integral part of the financial statements.

Statement of Consolidated Changes in Financial Position

For the year ended September 30, 1974 (with 1973 figures for comparison)

	Years Ended September 30	
	1974	1973
FUNDS PROVIDED:		
From operations:		
Net income	\$10,682,996	\$ 7,978,428
Add items not involving use of working capital:		
Depreciation and amortization	2,398,594	2,392,430
Deferred income taxes	1,470,000	715,000
Total funds provided from operations	14,551,590	11,085,858
From acquisitions:		
Issue of shares (Note 2)	104,831	—
Increase in contributed surplus (Note 2)	9,864,715	8,153
	9,969,546	8,153
Deduct non-fund assets acquired:		
Property, plant and equipment—net	4,956,025	—
Deferred income taxes	1,970,000	—
Deferred charges	828,173	—
	7,754,198	—
Net funds provided from acquisitions	2,215,348	8,153
Total funds provided	16,766,938	11,094,011
FUNDS APPLIED:		
Property additions	5,870,127	4,542,908
Total funds applied	5,870,127	4,542,908
INCREASE IN WORKING CAPITAL	10,896,811	6,551,103
WORKING CAPITAL AT BEGINNING OF THE YEAR	38,771,151	32,220,048
WORKING CAPITAL AT END OF THE YEAR	\$49,667,962	\$38,771,151
CHANGES IN WORKING CAPITAL—INCREASE (DECREASE):		
Cash and certificates of deposit	\$ 3,879,864	\$(7,526,022)
Due from parent company	5,000,000	—
Accounts and notes receivable	10,025,529	7,149,244
Inventories	7,835,727	6,704,061
Prepaid expenses	13,885	302,560
Bank indebtedness	(6,639,564)	—
Accounts payable	(4,247,469)	(6,215,829)
Income taxes	(4,736,160)	3,989,967
Due to affiliated companies	(235,001)	2,147,122
INCREASE IN WORKING CAPITAL	\$10,896,811	\$ 6,551,103

The accompanying notes are an integral part of the financial statements.

Notes to Financial Statements

1. Summary of Significant Accounting Policies

Consolidation:

The consolidated financial statements include the accounts of Rockwell International of Canada Ltd and the assets and liabilities of its wholly owned subsidiary, Collins Radio Company of Canada, Ltd. (see Note 2).

Foreign Currency Translation:

Foreign currencies have been translated to Canadian dollars as follows: Current assets and liabilities at the approximate rate at the year end; Revenues and expenses at average rate during the year.

The company had no non-current assets or liabilities carried in foreign currency.

Inventories:

Inventories have been valued as follows: Finished goods and work in process at lower of cost or net realizable value; Raw materials at the lower of cost or replacement cost.

Depreciation and Amortization of Property:

Depreciation is principally provided on a straight-line basis over the estimated useful lives of the respective assets. Amortization is generally related to leasehold improvements and is provided over the terms of the respective leases.

Instalment Sales:

Sales of printing presses made on instalment terms are recorded and income therefrom is recognized at the time deliveries are made. Instalment notes receivable applicable thereto, a portion of which mature after one year, are included in current assets in accordance with recognized trade practice.

Research and Development Costs:

Research and development costs are charged against income as incurred except for development costs of certain electronic equipment which have been deferred and will be amortized over estimated future production.

Income Taxes:

Taxes are provided for items included in the income statement regardless of the period when such items are reported for tax purposes. The principal items that result in timing differences for financial and tax reporting purposes are depreciation and the operating loss of the subsidiary.

2. Acquisitions

During the year the company engaged in transactions with its parent and other affiliated companies as follows:

(a) Rockwell International of Canada Ltd., a company engaged principally in the manufacture of parts for the automotive industry, and Sterling Faucet Canada Limited, an affiliated company engaged in the manufacture of plumbing fittings, entered into an agreement for their amalgamation under the name of Rockwell International of Canada Ltd effective December 31, 1973. Because of the relative size of Rockwell International of Canada Ltd. it was considered to be the acquirer and the combination has been accounted for by the purchase method, under which the cost of the purchase is determined as of the date of acquisition and the financial statements of the acquiring company reflect the operations of the acquired company only from the date

of acquisition. The operating results of Sterling Faucet Canada Limited are accordingly included in the accompanying financial statements only for the period from December 31, 1973 to September 30, 1974. The assets acquired in the transaction amounted to \$1,692,392 and liabilities to \$795,780. As consideration for the acquisition, 1,000 no par value shares were issued in the amount of \$4,831 at which they had been valued in the accounts of Sterling Faucet Canada Limited and the remaining \$891,781 was credited to contributed surplus.

(b) Effective December 31, 1973, and pursuant to an agreement between the company and its parent, Rockwell International Corporation, all the issued shares of Rockwell Manufacturing Company of Canada, Limited, a company engaged principally in the manufacture of flow-measurement and flow-control equipment and power tools, were transferred without charge to the company, creating an addition to contributed surplus of \$8,312,413. Rockwell Manufacturing Company of Canada, Limited then proceeded to distribute its assets and to file articles of dissolution under The Business Corporations Act. Its operations subsequent to December 31, 1973 were carried on as a division of the company and its results have been included in the accompanying financial statements from that date.

(c) Effective December 31, 1973 the company acquired by transfer, also without charge, from MGD Graphic Systems Americas Company, an affiliated corporation engaged in the manufacture of printing equipment, the fixed assets and ongoing operations of its Cambridge, Ontario branch. The value of the assets transferred amounting to \$1,868,734 was treated as an addition to contributed surplus. Subsequent to the date of the transfer the operations of the branch were carried on as a division of the company and its results have been included in the accompanying financial statements for the period from December 31, 1973 to September 30, 1974.

(d) Effective September 30, 1974, the company acquired from its parent all of the issued shares of Collins Radio Company of Canada, Ltd. for a consideration of \$100,000 and issued 1,275 shares in settlement. This acquisition has been accounted for by the purchase method and the assets and liabilities of the subsidiary have been included in these financial statements as at September 30, 1974. The amount of \$1,208,213, being the excess of the purchase price of the shares of the subsidiary over the net book value of its assets at the date of acquisition, has been treated as a deduction from contributed surplus.

The foregoing acquisitions from the parent and other affiliated companies may be summarized as follows:

	Net Assets (Liabilities) Acquired	Consideration: Capital Stock	Contributed Surplus Increase (Decrease)
Sterling Faucet Canada Limited	\$ 896,612	\$ 4,831	\$ 891,781
Rockwell Manufacturing Company of Canada, Limited	8,312,413	Nil	8,312,413
MGD Graphic Systems Americas Company ...	1,868,734	Nil	1,868,734
Collins Radio Company of Canada, Ltd.	(1,108,213)	100,000	(1,208,213)
Total	<u>\$9,969,546</u>	<u>\$104,831</u>	<u>\$9,864,715</u>

3. Accounts and Notes Receivable

Accounts and notes receivable include instalment notes receivable of \$3,629,829 relating to sales of printing presses of which approximately \$2,357,588 matures after September 30, 1975.

4. Inventories

Inventories are summarized as follows:

Raw materials	\$19,713,262
Work in process	5,076,216
Finished goods	8,867,523
Total	<u>\$33,657,001</u>

5. Share Capital

In connection with the amalgamation referred to in Note 2 above, the authorized capital of the company was increased from 10,000,000 common shares of no par value to 11,000,000 common shares of no par value.

During the year the company issued 2,275 shares for assets of which 1,000 shares related to the amalgamation.

6. Commitments and Contingent Liabilities

The company has commitments with regard to plant extensions of approximately \$600,000.

The company is contingently liable:

(1) in the amount of \$188,400 with respect to a forgivable loan received from the Ontario Development Corporation which has been applied to reduce the cost of plant and equipment. Provid-

ing the terms of the loan are met, the loan will be forgiven as follows:

1975—\$31,400; 1976—\$157,000.

(2) in respect of debts of customers to various finance companies in the amount of approximately \$60,000.

7. Pension Plan

The unfunded past service costs of company pension plans amount to approximately \$10,600,000 at September 30, 1974. The amount will be funded and charged to operations in the period extending through 1989. The charge to income for the current year in respect of past service costs was \$918,000 (1973—\$704,000).

8. Directors and Officers

The information required by statute to be reported with respect to directors and officers is as follows:

	1974	1973
Number of directors	6	6
Aggregate remuneration of directors as directors	\$ 9,500	\$ 7,000
Number of officers	17	17
Aggregate remuneration of officers as officers	\$163,200	\$137,300
Number of officers who are directors	1	1

9. Comparative Figures

Certain of the 1973 figures have been reclassified to conform to the presentation in the 1974 financial statements.

Auditors' Opinion

DELOITTE, HASKINS & SELLS, *Chartered Accountants*
Toronto, Ontario

To the Shareowners of
Rockwell International of Canada Ltd:

We have examined the consolidated balance sheet of Rockwell International of Canada Ltd and its subsidiary company as at September 30, 1974 and the consolidated statements of contributed surplus, income and retained earnings and changes in financial position for the year then ended. Our examination of the financial statements of Rockwell International of Canada Ltd was made in accordance with generally accepted auditing standards, and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances. We have relied on the report of the auditors

who have examined the financial statements of the subsidiary company.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at September 30, 1974 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Deloitte, Haskins & Sells
Auditors.

October 22, 1974.

Rockwell International of Canada Ltd

*Corporate Offices
90 Snidercroft Road
Town of Vaughan, Ontario*

Principal Products

Automotive brake systems; plastic products; tools, dies and moulds; automotive, railroad and industrial springs; mechanical springs; stamped and plated automotive parts and equipment; clamps and couplings; flow measurement and control equipment; gears; plumbing fixture fittings; printing machinery and related products; consumer and industrial power tools; business and personal aircraft; military and maritime communication systems; electronic calculating machines; power distribution systems; textile machinery; filters; industrial and mechanical controls; and universal joints and associated equipment.

Divisions and Principal Plants and Offices

Brake Division
Tilbury, Ontario

Plastics Division
*Gananoque, Ontario
Toronto, Ontario*

Suspension Systems Division
*Bracebridge, Ontario
Chatham, Ontario
Lacolle, Quebec
Milton, Ontario
Montreal, Quebec
Oshawa, Ontario*

Ornamentation Division
*Parry Sound, Ontario
Windsor, Ontario*

Municipal & Utility Division
**Calgary, Alberta
Guelph, Ontario
*Rexdale, Ontario
Vancouver, British Columbia

Flow Control Division
**Calgary, Alberta
LaSalle, Quebec
*Rexdale, Ontario
Vancouver, British Columbia

Building Components Division
Oakville, Ontario

Boston Gear Division
**Mississauga, Ontario*

Graphic Systems Division
*Cambridge, Ontario
*Don Mills, Ontario
*Montreal, Quebec
Vancouver, British Columbia

Power Tool Division
**Calgary, Alberta
Guelph, Ontario
*London, Ontario
*Mississauga, Ontario
*Ottawa, Ontario
*Quebec City, Quebec
*St. Laurent, Quebec
*Vancouver, British Columbia
Winnipeg, Manitoba

General Aviation Division
**Montreal, Quebec*

Collins Radio Company of Canada, Ltd.
(subsidiary)

**Ottawa, Ontario
Toronto, Ontario
Vancouver, British Columbia

Business Equipment Division
**Toronto, Ontario*

System Monitoring Division, Textile
Machinery Division, Filter Products
Division, Mechanical Controls Division,
Universal Joint Division, Microelectronic
Product Division
**Toronto, Ontario*

**Indicates non-manufacturing activity.*

